

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6077**

**BILL NUMBER: SB 52**

**NOTE PREPARED:** Jan 17, 2009

**BILL AMENDED:** Jan 15, 2009

**SUBJECT:** Disproportionate Share Mental Health Funding.

**FIRST AUTHOR:** Sen. Zakas

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill provides that community mental health centers are eligible for disproportionate share payments (DSH) of at least \$20,000,000.

The bill also amends and repeals provisions to eliminate obsolete provisions applicable to disproportionate share payments.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** (Revised) This bill would require that \$20 M in disproportionate share hospital payments that have previously been claimed for state-operated mental health facilities would be redirected to community mental health centers (CMHCs). The provisions of the bill would require an offsetting amount of funding be provided from another source for the operation of the state-operated facilities. Federal requirements limit the amount of DSH funding that may be claimed for institutions for mental diseases (IMDs). State-operated facilities and CMHCs are both defined as IMDs. State-operated facilities currently claim the allowable IMD DSH; \$65 M in FY 2008. Currently, existing expenditures incurred by the state-operated facilities are certified to serve as the nonfederal share of the federal DSH distribution. The bill does not specify the source of the \$11.4 M nonfederal match required to claim the \$20 M payment to the CMHCs. If the CMHCs can certify expenditures to qualify as the nonfederal share for the DSH payment, there would be no additional fiscal impact.

**Background Information:** Medicaid DSH payments are intended to provide additional reimbursement to hospitals that serve a disproportionate share of Medicaid and uninsured persons. The Balanced Budget Act

of 1997 placed ceilings on state DSH allotments and further limits on DSH payments to IMDs. (IMDs include state mental health institutions, private psychiatric facilities, and CMHCs.) The federal DSH allocation for FFY 2009 is set at \$201.3 M. Within the federal DSH allocation, the IMD cap for the same period is \$66.4 M. The source of state matching funds for DSH payments is the General Fund and certain intergovernmental transfers.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 37%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 63%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning and Division of Mental Health and Addiction, Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Family and Social Services Administration, and Federal Funds Information for States, Issue Brief 08-03, Medicaid DSH ceilings published January 8, 2008.

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